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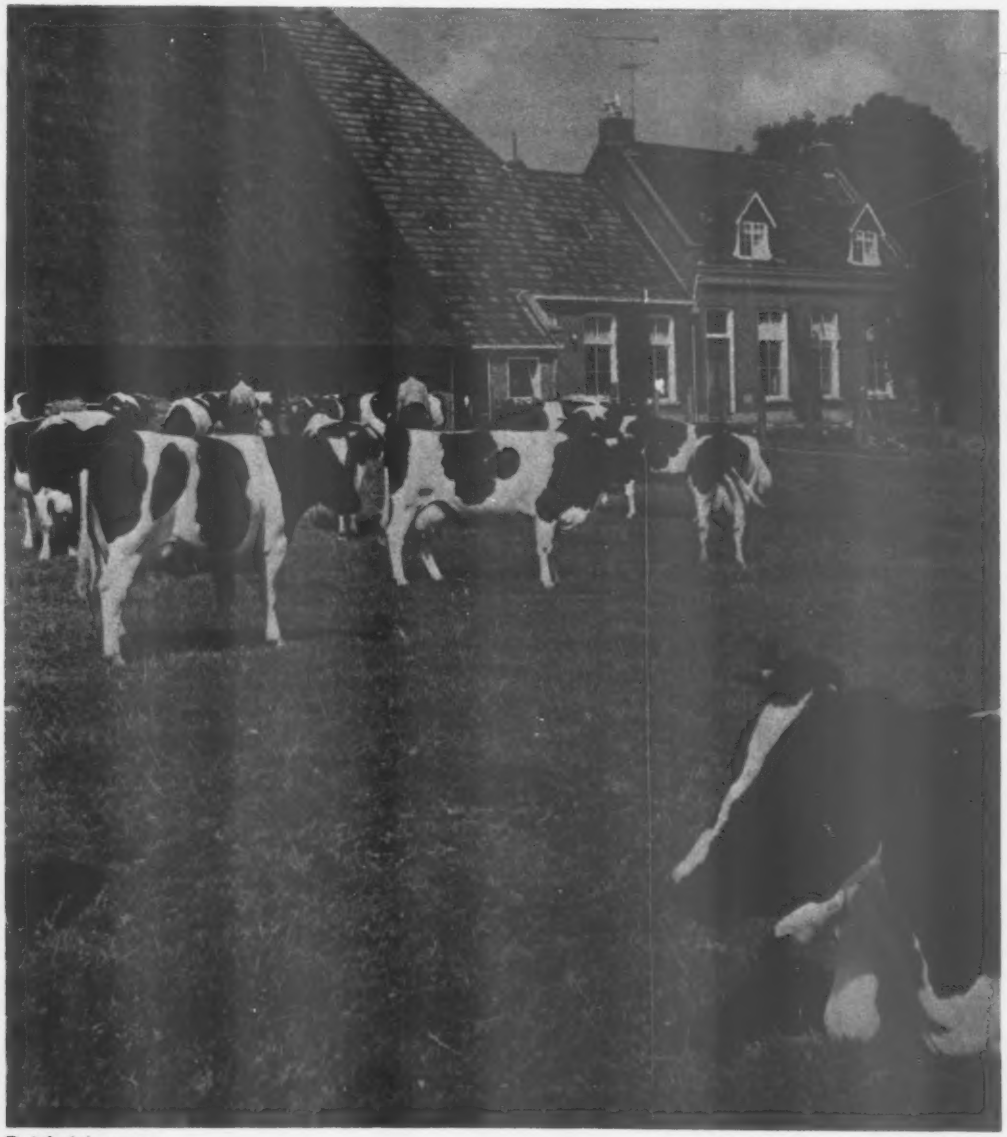

Dutch dairy cows.

September 9, 1974

World Tobacco Crunch

Japan's Overseas Investment

Foreign
Agricultural
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U.S. DEPARTMENT
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Dairy cow numbers and milk yields both are up in the Netherlands. As a result, Dutch milk production is expected to hit a record 10 million tons this year.

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World Tobacco Crunch Shows No Signs of Easing in 1974

By B. G. ANDREWS
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STRONGER WORLD demand for tobacco, in concert with generally smaller 1973 crops, has triggered a near-critical gap between world tobacco requirements and available supplies, which shows no sign of abating this year in spite of better crops now coming on line. Stocks that were sharply down in 1973 are likely to remain tight. And thus far this year, the steep upward spiral of tobacco prices continues.

For U.S. tobacco exports, the tight world situation offers mixed prospects. Supplies in the United States are at new low levels, and reserve stocks held by loan associations are practically depleted. Although the 1974 harvest is forecast 13 percent above last year's, with flue-cured up 10 percent and burley up 25, these crops may be sufficient only to cover projected domestic and export requirements. And unless larger crops materialize in other exporting countries, world supplies of quality cigarette leaf may remain tight.

One major factor underlying the present tobacco squeeze is the upswing of world demand for products manufactured from tobacco—mainly cigarettes—in turn tied to mounting affluence and population. World cigarette output, which rose about 4 percent in 1972, continued to climb in 1973. Most striking was an upturn in cigarette consumption in developing countries, which may signal a new upward trend.

According to the latest information, both leaf consumption and output of all tobacco products registered significant gains in 1973. In the United States, cigarette output rose 5 percent and total tobacco consumption advanced by over 3 percent. In Eastern Europe and Asia, the growth of tobacco use is thought to have ranged from 6 to 8 percent.

A second factor pressuring world tobacco supplies was less-abundant harvests because of poor weather in some exporting countries last season. For a number of years, world tobacco markets have been insulated from wide fluctuations by reserve supplies held by the United States.

Although world crops have generally held at relatively high levels, tobacco production in the United States—world's largest producer and exporter—has been regulated by strict quota controls designed to work excess supplies down to more normal levels. U.S. production quotas were substantially increased for 1974, however.

Production in major exporting countries is expected to rise significantly in 1974, at least compared with last year's crops. For example, Brazil's 1974 flue-

Buyers inspect tobacco, far left, at the Ontario, Canada, Flue-cured Auction Exchange, Tilsonburg. Thai women, center, handpicks tobacco leaves. Hogsheads of U.S. tobacco, above, are loaded for export shipment at Norfolk, Va.

cured crop is estimated at 45 percent above 1973's, and Rhodesia's output may be 25 to 30 percent higher. Even so, these larger crops may be barely sufficient to cover steadily rising world supply requirements, particularly for quality, cigarette-type tobacco.

World prices are up sharply, in line with higher import demand for tobacco supplies—particularly for better quality cigarette leaf.

As output and consumption of cigarettes reaches new highs in major markets, prices of cigarette tobaccos have advanced sharply. The rapid increase in prices is due not only to reduced world supply and availability and continuing strong demand, but to improved tobacco quality in some areas and general price inflation trends.

U.S. leaf is still the most expensive tobacco to enter world trade. but many competing countries are experiencing explosive price increases that are rapidly narrowing the traditional price differential. For example, average farm level prices of flue-cured tobacco in 1973 jumped 49 percent in Malawi, 83 percent in India, 32 percent in Brazil, 7 percent in Japan, and 5 percent in Canada. The equivalent price increase in the United States was 3.5 percent.

Even higher prices are anticipated for 1974 crops. U.S. flue-cured auction prices currently reflect about 10-percent higher prices for the 1974 crop.

Despite tight supplies and steep prices, however, free world imports of unmanufactured tobacco rose to an unprecedented level in 1973, spurred mainly by record demand for cigarettes. Conversely, exports made less progress dampened by lower output and short supplies in major exporting countries. Exports stabilized at about 1972 levels, after rising more than a fifth in the previous year. (The gap between exports and imports is partly due to Communist country trade, for which complete statistics are unavailable.)

During fiscal 1974, exports of U.S. raw tobacco reached an alltime record in both quantity and value. Leaf exports in actual export weights were 657 million pounds for a value of $770 million. This was an increase of 15 percent in quantity and 25 percent in value over the previous year and about 5 percent in volume and 40 percent in value over the earlier record reached in fiscal 1967.

Flue-cured leaf exports, the major U.S. tobacco in export trade, reached a new record in fiscal year 1974. The total rose to 449 million pounds for a value of $618 million. This was up 14 percent in quantity and 26 percent in value over the previous year. On a farm weight equivalent basis, these exports totaled about 600 million pounds or nearly one-half of current U.S. flue-cured production, compared to about one-third in earlier years.

BURLEY LEAF exports were at a record of 67.7 million pounds for $91 million—up 28 percent in volume and 44 percent in value.

U.S. exports of manufactured tobacco products were exceptionally high in fiscal 1974. The value of all manufactured products exported totaled $328.6 million, for an increase of 28 percent, compared with $257.5 million in fiscal 1973. Cigarettes, the major export item, reached a new record 43.7 billion pieces, for a value of $278 million or 17 percent and 23 percent respectively over the previous year.

The European Community—world's largest market for tobacco—purchases over one-half of all U.S. tobacco exports annually. This market consumes about 1.3 billion pounds of leaf a year, the bulk of which is imported from outside the nine-country area. Since over half of all world trade in unmanufactured tobacco moves to the Community, the future of U.S. export trade depends heavily on EC trade policies.

In 1973, EC imports rose to a record 1,235 million pounds, over 11 percent more than in 1972. Some of the increase was supplied by intra-EC trade, but the total was small, representing only about 182 million pounds or 15 percent. Even though the United States shared in the increased volume of imports, its percentage share dropped in most EC countries.

Considering the current world situation for tobacco trade, what are the prospects that U.S. tobacco supplies will be sufficient to meet domestic and export requirements? Concern is particularly widespread in view of shrinking U.S. reserve stocks, record-high prices, and suspension of most Government export aids.

The outlook appears mixed. In the short run, U.S. tobacco exports are anticipated to remain at or near the current high levels, but a further drop in the U.S. share of the world market can be expected.

During the next 12 months, demand for quality U.S. tobacco will remain strong, owing partly to the expanding trend toward more full-bodied and fla-

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Dutch Seek Larger Export Market For Rising Dairy Product Output

By HERMAN KEYMAN
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THE NETHERLANDS dairy industry, expanding in numbers of cows as well as in milk yield per animal, is continuing to seek new and enlarged foreign markets for its increased output of products. The greater share of the augmented milk supply currently is being channeled into production of cheese and specialty dairy products.

Total Dutch dairy cattle population appears to be headed for a rise of at least 5 percent this year from the estimated 1973 total of 2.1 million animals. This gain of a minimum 100,000 head, plus anticipated higher milk yield per cow, could increase total milk production by about 620,000 metric tons in 1974 to about 10 million tons—nearly 7 percent above the 1973 total.

Also, lower farm withholding and unchanged fluid milk imports could result in milk deliveries to dairy factories of between 9.6 and 9.7 million tons—an increase of 650,000 tons or 7 percent over those of 1973.

The larger total Dutch milk supply is likely to be used several ways:

- Cheese will use another 40-45 percent, thereby raising factory cheese production 7-8 percent over 1973 output.
- Specialty products will take 20-25 percent, pushing total Dutch production of these items by about 15 percent over 1973.
- Butter and nonfat dry milk will take 10-15 percent, nudging total Dutch butter production in 1974 about 3 percent over 1973's and nonfat dry milk output by about 10 percent over last year's.
- Whole dry milk will utilize 10-15 percent, raising total output of this product by about the same amount.
- Condensed and evaporated milk will take 8.9 percent, increasing total production by about 4-5 percent.

Except for larger volumes of cheese and nonfat dry milk that will be consumed domestically, by far the major share of the higher 1974 production will have to be exported. So far, prospects for higher exports in 1974 are bright, but this year's carryover stocks of butter and cheese probably may show some increase over the relatively low 1973 carryover supplies.

Last year, the average number of dairy cows was 6.6 percent greater than in 1972. But lower milk production per cow limited the increase in total milk production to about 4.2 percent. The largest share—about 70 percent—of the increased milk supplies in 1973 was used for production of cheese and specialty products such as dietary food items. Remainder was used mostly for whole dry milk and condensed and evaporated milk production.

Since the domestic market took only a slightly larger volume of cheese, the bulk of all 1973 Dutch dairy output was exported. These shipments were facilitated by a relative shortage on the world market.

An even more pronounced increase of 6.6 percent in Dutch milk production is projected for 1974. Although the major part of the larger milk supplies again will be used in cheese and specialty product manufacture, prospects for marketing of other commercial dairy products also are favorable. Therefore, a slight increase can be expected in 1974 butter production.

Cow numbers in 1973 were at an all-time high. Among the several reasons for this development were favorable financial returns for larger dairy farm operators and the accelerated structural changes in dairy farming in recent years.

Structural changes that have occurred are mainly those that increase efficiency by substituting modern equipment for labor. Such changes require higher cow numbers per farm for optimum results. The number of mechanical milking parlors has doubled since January 1, 1972, and in June totaled more than 6,000. During this same period, the number of milk tank coolers on farms also has more than doubled, and the number in use now totals well over 10,000.

The anticipated higher yield per cow in 1974 is based on the improved supplies of roughage during the winter of 1973-74 as well as the early spring of this year. The lower yield per animal in 1973 was due in part to the lower quality of roughage available at that time.

Volume of milk delivered to plants for manufacture of dairy products rose from 8.5 million tons in 1972 to about 9 million tons in 1973. As a result, the quantity of milk held on farms dropped from about 479,000 tons in 1972 to about 430,000 tons in 1973. Of the 9 million tons moving into production, about 125,000 tons came from imports and about 26,000 tons from powder.

Because of increased foreign and domestic demand, a larger share of milk was diverted to commercial dairy products in 1973 and less to subsidized items such as butter and nonfat dry milk than had been anticipated early in the year. The higher domestic demand in 1973 was mainly for cheese and consumer milk products, while higher foreign demand was reported for practically all dairy products.

Developments in the first 6 months of this year seem to indicate that in general a continuation of this rising trend in demand for Dutch dairy products can be expected during the year. And it is possible that only slightly higher volumes of milk will be diverted this year to production of butter and nonfat dry milk than in 1973.

DUTCH CHEESE production in 1973 was up by 3.8 percent. The relatively small increase in full cream cheese production (primarily several types of Gouda) presumably was a result of reduced Cheddar production that followed lower export demand from the United Kingdom.

Production of Farmers' cheese declined by 5 percent, despite higher 1973 prices. Farmers' cheese is produced mainly by farmers' wives, and fewer of them are prepared to continue this work. The increase in output of forty-plus cheese (primarily several types of Edam) is related to higher export demand.

Cheese producers voluntarily continued limits on production in 1973. These limits could be extended in 1974 if the market and stock situations should so require. However, prospects for further expansion of Dutch cheese pro-

duction in 1974 are considered to be more favorable.

Output of condensed and evaporated milk rose by 3.3 percent last year. Condensed milk production rose mainly because of a significant rise in foreign demand. But exports of evaporated milk were moderately lower in 1973, so that total canned milk exports were slightly lower. Export prospects for 1974 are viewed as favorable, with consequent further rises in production likely.

Production of whole and partially skimmed dry milk was up by 10.7 percent in 1973—from 71,167 tons in 1972 to about 78,810 tons. Spray-dried milk output rose from 59,823 tons to 71,193 tons—a rise of nearly 20 percent. Roller-dried milk production dropped by about 33 percent to 7,617 tons in 1973. A sharp upswing in export demand for most of these products was the main reason for higher production in 1973. And prospects for exports thus far in 1974 seem to indicate a further increase.

Butter output rose by 3.6 percent in 1973, and nonfat dry milk by 1.6 percent. Butter production at 169,311 tons is viewed as high, considering that total annual domestic consumption is only 27,000-30,000 tons.

On the other hand, 1973 production of 120,137 tons of nonfat dry milk was low, considering that annual domestic consumption is about twice that amount. Total output in 1974 of butter and nonfat dry milk probably will rise by not more than 5-7 percent, in view of the favorable prospects for other Dutch dairy products.

The total value of Dutch dairy exports in 1973 was about $900 million—about 13 percent higher than in 1972. Nevertheless, the dairy share of total Dutch agricultural exports dropped from 16.7 percent in 1972 to 15.8 percent in 1973.

The Dutch dairy industry performed well in moving its products into export during 1973. By volume, exports in 1973 were about 38 percent higher than in 1972, but the 13 percent rise in value indicates that 1973 prices averaged about 22 percent lower than in 1972. Dutch producers received partial compensation for lower prices through higher export subsidies.

Dutch dairy exports last year to European Community countries rose in value by 14 percent—faster than dairy exports to non-EC countries, which grew by only 11 percent. There was some decline (about 4 percent) in exports to West Germany—the largest single market—but a large gain of 71 percent in sales to the United Kingdom.

Sales to the United States rose substantially—from about $9 million value in 1972 to about $24 million in 1973, mainly because the Netherlands participated actively in enlarged quotas for nonfat dry milk and butter authorized by Section 22 of the U.S. Agricultural Adjustment Act.

Fluid milk and cream exports rose by 66 percent in 1973 over 1972. Increased supplies went mainly to West Germany, France, Spain, and Libya.

Cheese exports rose by 7 percent—from 12,000 to 15,000 tons compared with 1972. About one-third of the volume went to West Germany, and EC countries as a whole took about 75 percent of Dutch cheese exports.

Shipments to the United States in 1973 were about 50 percent higher than in 1972, a result of an enlarged Section 22 quota. Among Gouda-type cheese, only exports of Cheddar to the United Kingdom dropped—from about 7,000 tons in 1972 to about 4,500 tons in 1973. But this decline was more than offset by larger exports of other Gouda cheeses.

Condensed and evaporated milk exports were 6 percent higher in 1973, compared with 1972. Whole dry milk exports rose by 27 percent, with the biggest gains in shipments to Spain, Canary Islands, Latin American countries, and Far East countries.

Exports of nonfat dry milk and whey rose by a strong 62 percent, with most of the increase moving to the United States under enlarged Section 22 quotas. Butter exports were up by a substantial 73 percent, mainly as a result of a tripling of sales to the United Kingdom. Strong Dutch participation in EC ex-

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Dutch dairy cows like those below probably will produce about 10 million tons of milk in 1974—nearly 7 percent more than in 1973. Of this supply, 20-25 percent will be used to make cheeses, such as those in bottom photo.

Australia's Canned Fruit Pack Off, Depressing Export Prospects

JUST AS WORLD market conditions began to look exceedingly attractive, Australia's deciduous fruit crop was hit by devastating floods, and the country is now faced with the smallest canned fruit pack and export of recent years. A further blow is the extensive damage in the most remunerative product—peaches—with heavy tree losses depressing future production prospects.

Currently, Australia's 1974 canned deciduous pack is estimated at 7.7 million standard cartons, for a decline of almost 25 percent from that of the year before.

The reduction comes in the wake of floods in the Goulburn Valley—the major canning fruit area in Victoria—and a resulting heavy loss of peach trees. Following the floods, warm, humid conditions precipitated brown rot, further reducing the crop. Consequently, Australia's 1974 peach pack is forecast at about 2.8 million standard cartons, or some 39 percent below last year's.

The apricot pack, forecast at some 550,000 cartons, is the smallest in 10 years. Wet conditions at flowering time prevented a good setting, while subsequent humid weather also caused damage from brown rot and other diseases. Unlike peaches, however, tree losses were not extensive.

Pear production was extremely heavy in 1973-74, but disease problems and the large proportion of small sizes led to a sharp reduction in canning-quality fruit. Thus, output of canned pears is seen falling about 16 percent to 2.5 million cartons.

Also affected by the shortfall are canned mixed fruits, forecast at 1.78 million cartons, compared with 2.1 million the year before.

Overseas shipments of canned deciduous fruits by Australia—in 1973 the world's largest exporter of these products—will be limited by the reduced availabilities in 1974. They should benefit, however, from the current strong world demand and high prices—the result of lower exports from California and Italy, as well as Australia.

Tentative forecasts place Australia's 1974 canned fruit shipments at some 5.7 million standard cartons, contrasted with 9.5 million in 1973. The 1973 export, however, was a new record, equivalent to total production in an average year.

The 1974 export forecast includes some 2 million cartons (compared with 4 million in 1973) of peaches, 1.8 million (3.2 million) of pears, 1.6 million (1.8 million) of mixed fruits, and 300,000 (453,000) of apricots. As in the past, the bulk of shipments—roughly 50 percent last year—will move to the United Kingdom, although Canada, Japan, and other markets are becoming increasingly important.

Because of strong world demand for canned deciduous fruits and low stocks in all producing countries, the Australian Canned Fruits Board set 1974 opening export prices in the United Kingdom some 38 percent above those of 1973. In other markets, the increase was not quite as dramatic but nonetheless substantially above last season's. A large share of the price gain in the United Kingdom, however, will be absorbed by higher freight costs and the currency changes that occurred in 1973.

Major competitors of Australia have fared somewhat better, as both U.S. and South African currencies were devalued during 1973, while the Australian currency was revalued upward by 5 percent in September 1973.

Marketing of canned fruits in the United Kingdom is coordinated by the Integrated Marketing Organization (IMO) of the Australian Canned Fruits Board—established in 1972 to overcome chaotic marketing conditions and intercannery competition. The organization had a very satisfactory trading year in 1973, and most industry sources agree that the relatively poor returns in the United Kingdom would have been much worse if it had not been for this one-desk selling system. A similar system was considered for the Japanese market but foundered when canners could not agree on suggested market shares.

As is often the case, the country finds world market conditions the brightest just as it is pulling out of a surplus situation—in this case for pears—and no longer has ample supplies to sell. The surplus problem developed after a record fresh pear intake of 108,000 metric tons in 1970, which coincided with heavy crops in other major producers. This contributed to pear marketing problems in both the United Kingdom and the domestic market, while also prompting antidumping measures by the United States and other countries.

As a result, Australia placed restrictions on canners' fruit intake, and production was sharply curtailed in both 1971 and 1972. At the same time, canners undertook a crash disposal program, which finally culminated last year in carryover stocks being brought down to manageable levels—a development also influenced by lower European and South African pear production.

However, with pear trees little affected by the recent floods, the surplus problem is seen clouding the horizon through 1977-78, as growth in pear output continues both in Australia and important competitors like South Africa and Italy.

Ironically, while pears escaped devastation from the floods, overcorrection came in the slight surplus of peaches—the most profitable of Australia's deciduous fruits and thus the basic commodity marketed by canners. Although major efforts will probably be made to replant, production cannot be increased

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AUSTRALIAN PRODUCTION OF CANNED DECIDUOUS FRUIT
[In 1,000 basic cartons of 24 x 2½'s]

Type of fruit	1972 [1]	1973 [1]	1974 [2]
Apricots	840	684	550
Peaches, Clingstone	4,426	4,570	2,800
Peaches, Freestone	52	43	45
Pears	2,225	2,985	2,500
Two-fruits [3]	713	948	800
Fruit cocktail	1,109	1,068	900
Fruit salad	87	78	75
Total	9,452	10,376	7,670

[1] Australian Canned Fruits Board. [2] Forecast based on field reports. [3] Mixed diced peaches and pears.

Japan Ups Investment Overseas To Diversify Food Sources

By HARLAN J. DIRKS
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Filipino farm workers harvesting corn. Japan currently is considering a $17-million Philippine corn Develop-and-Import program.

JAPAN'S STRATEGY for diversifying food import sources and gaining access to new food supplies is through greater investment of capital and through technical aid abroad. The overseas investment program had a modest beginning in the early 1960's and has picked up considerable momentum in recent years.

Basically, Japan's Develop-and-Import programs fall into two classes—pure economic cooperation, or aid-type projects, and programs aimed directly at securing greater access to new sources of food and raw material reserves.

The Japanese Government has encouraged stepped-up activity in foreign aid programs, partly as a means of reducing heavy accumulations in foreign reserves. Foreign investment also has been encouraged in developing countries where Japan has strong trade balances and in countries that have the capacity to produce raw materials that Japan needs.

The tempo of Japan's overseas investments has been moving at a rapid pace, but now—with the higher cost of imported energy—Japan may find itself in a considerably less favorable position to expand its overseas aid and investments.

Declining foreign exchange reserves already have called for some restrictions, and approvals are now more selective than formerly was the case. The Government will discourage overseas investments in such areas as real estate, recreation, and stocks, while investments in resource development will be encouraged. Top priority will likely be given to energy and food.

Japan's economic capacity to extend aid has become increasingly strong. Total amount of aid extended by Japan in 1971 ranked second only to that of the United States. In 1972, however, Japan's development assistance dropped to fourth place.

Total official and private foreign aid has increased each year from $625 million in 1966 to $2.7 billion in 1972. The accumulated total amount of aid extended from fiscal 1966 through fiscal 1972 is placed at $10.4 billion. The amount of foreign aid as a share of gross national products (GNP) has increased from 0.62 percent in 1966 to 0.93 percent in 1972. The goal is to maintain foreign assistance at about 1 percent of GNP. If Japan meets this goal, there could be some $40 billion more going into foreign aid by 1982.

However, balance-of-payments problems could mean a cut in foreign investments of as much as 50 percent in fiscal 1974.

The share of Japan's foreign aid that is going into overseas agricultural development (agriculture, forestry, marine) was 5.2 percent in 1971. This share was increased to 9.4 percent in 1972. And officials indicate that greater emphasis will be placed in the future on agricultural development.

Japan's foreign aid and technical assistance programs are closely tied to the commercial and private business sectors. Government aid in fiscal 1972 amounted to $1.16 billion, including loans, grants, and multilateral contributions. In the same year, the private business sectors added another $1.57 billion of aid in the form of export-financing credits, loan participation programs, and direct investment financing.

THE OVERSEAS Economic Cooperative Fund (OECF), a Government agency specializing in making soft loans to developing countries at low interest rates, at the end of fiscal 1972 had committed loans and investments valued at $1.23 billion. Of this total, 78 percent were direct loans to foreign governments that carried interest rates of 3-4.5 percent and repayment periods of more than 20 years. The balance were loans to Japanese private enterprises for projects in developing countries. Interest rates in these enterprise loans vary from 4 to 5.5 percent, depending on the project.

Technical assistance is handled by the Overseas Technical Cooperative Fund (OTCF), an agency of the Ministry of Foreign Affairs. Government ministries supervise their own technical specialties under the program, which consists of assigning Japanese technicians overseas, establishing technical cooperation centers in foreign countries, and receiving foreign technicians for training in Japan.

In fiscal 1972, more than 8,000 persons were engaged in the technical cooperation programs. The budget has been increasing steadily—from $19.5 million in 1969 to $45.6 million in 1972. At the same time, the amount of technical assistance going to agricultural development and cooperation was increased from $1.5 million to $5.2 million in the same period.

Japanese aid started in Asia, due to the close historic ties Japan has had with Asian countries and the importance of nearby countries to Japan's export market. In 1972, Japan exported $6.3 billion worth of goods to Asian countries and bought only $4.2 billion, leaving a trade surplus of more than $2 billion. The Japanese would like to see some correction of this imbalance by improving the area's capability to export raw materials.

At present, Japan has 111 funded aid projects for agricultural development in Asia with a capital value of $76 million. Programs have been mainly for improvement in local food supplies and feedgrain production for export. The best results in feedgrains have been in corn production in Thailand and Cambodia. Aid and technical assistance has been granted to other Asian countries, mostly to the Philippines, Indonesia, Malaysia, and Vietnam for rice production improvement.

Latin America offers a favorable climate for Japanese investment, and there are signs of a trend in Japanese investment interest from Asia to Latin America. In 1970, 60 percent of Japan's direct investment in the world's developing countries was in Asia, while 20 percent was in Latin America.

But by 1972, direct investment had shifted to 46 percent in Latin America and 37 percent in Asia. There are now about 50 funded Japanese agricultural projects in Latin America, with most of the commercial interest centered in Brazil.

Agricultural commodities of greatest interest to Japan in Brazil are soybeans, corn, and beef. Products of lesser interest are coffee, cotton, spices, and orange juice. Japan's largest single commitment in South America is the Export Corridors Program in Brazil. Under this program, grain storage, warehousing, and refrigeration facilities are being expanded in the port areas.

Japan has some agricultural interests in Africa, but except in South Africa the outlook for resource development is not good. There are 11 active Japanese agriculture development projects in Africa, but it will be a long time before positive results can be expected.

The major interest is in corn, tea, beef, and oilseeds. There have been some advances in Madagascar for development of beef production, but the availability of beef from this source appears to be a long way off.

A strong interest in developing food supplies in Oceania—particularly in Australia—is evident. Australia ranks

Japan's imports of Brazilian soybeans, such as these, have been rising steadily.

second after the United States as the most important supplier of agricultural products to Japan. Interest is centered primarily in beef, sorghum, and oilseed production.

The major advance at present is in securing larger supplies of high quality beef. Most of the investment plans call for the establishment of joint ventures with Australian beef producers in feedlot operations.

ABOUT 40 Japanese firms are reported to be planning to move into Australia to develop beef feedlot and slaughter operations. Japanese importers hope to improve the quality and marbling of Australian beef by grain feeding on feedlots. But Japan's import quotas for beef could limit expansion of this program—at least in the short term.

A new Government agency, the International Cooperation Agency (ICA), has come into existence since the U.S. decision to ban soybean exports in 1973, and is geared to put more steam into the Develop-and-Import program. ICA is expected to direct the main thrust of its efforts to Asia and Latin America, where prospects for results are considered best. But projects in developed countries—mainly Oceania—will be included as well.

Develop-and-Import programs valued at about $300 million currently are under consideration. These include projects with foreign governments and with industry. Projects of the first type include: South Salawes and Indonesia—general development and irrigation ($25

million); Indonesia—general development of agriculture ($21 million), beef ($14 million), lumber ($80 million); Philippines—corn ($17 million), lumber ($91 million); Mexico—soybeans and corn ($27 million); Laos—general development and irrigation ($17 million); Madagascar—beef ($11 million).

Projects with private industry include: Indonesia—corn, palm oil, beef, grain storage; Mexico—beef, corn, sorghum; Brazil—lumber, plywood, soybeans, corn; Argentina—corn, sorghum; Thailand—corn; Australia—cereals, seed; Madagascar—beef.

Japanese private overseas investment has increased dramatically since the gradual removal of the stringent controls on foreign investment that existed from the end of World War II to 1971, when most restraints were removed. Overseas investment in fiscal 1972 increased sharply to $2.34 billion, or 2.7 times the $858 million invested in 1971. This total brought the cumulative total of Japanese foreign private investment through the end of fiscal 1972 to $6.8 billion. Of this total, nearly $500 million has been invested in agriculture, lumber, food processing, and fisheries.

Geographic distribution is wide, and the total is hardly sufficient to add much stability to overseas food and fiber supplies as yet. However, the Japanese private sector plans to increase overseas activity in food production through more joint ventures and greater investment of equity capital in foreign firms. There has been a noticeable increase in overseas investment activity by some smaller Japanese firms.

Total Japanese private investment in the United States is relatively small—about $1.3 billion at the end of fiscal 1972. This total reflects only about 2 percent of the total foreign capital invested in the United States. Recently, the Japanese have shown considerable interest in U.S. stocks, bonds, and real estate.

The total accumulated value of private Japanese capital invested in U.S. agricultural enterprises (agriculture, forestry, food processing, timber and pulp, and fisheries) amounted to $107 million in fiscal 1972. The bulk of current outlays is invested in timber and pulp and in fish processing plants.

It is too early to make an accurate appraisal of Japan's international development strategy. About 3 years are required before any results can be expected in agricultural production. In other cases, massive investments are needed for long-term development before there are any visible results.

THE ENTIRE PROGRAM has suffered a drastic setback during the past 2 years due to abnormally bad weather in many countries where large projects were underway. This situation led to a state of near-crisis proportions in many developing countries.

Another factor is the noticeable backlash to Japan's Develop-and-Import strategy in some partner countries. These countries have expressed grave doubts about the wisdom of permitting too much infringement by Japanese firms, and the possible depletion of their resources by foreign powers. The one exception appears to be Latin America, where there appears to be little, if any, anti-Japanese sentiment.

One of the intended purposes of the Develop-and-Import program is to help the developing countries improve their balance of trade with Japan. When the program began in the 1960's, Japan was running a strong one-sided trade surplus rate of exports over imports of about 1.6 to 1 with Asia, and 2.9 to 1 with Africa, but a deficit of 0.3 to 1 with Central and South America. The evidence to date does not suggest that this imbalance is correcting itself across the board, but the balance of trade with Central and South America is slowly swinging to Japan's favor.

In 1972 the trade surplus rate for Japan was 1.5 with Asia and 2.2 with Africa, while the rate for Latin America jumped to 1.4 in Japan's favor. This trend could change some in 1973 and 1974 because of higher prices of agricultural products.

On the other hand, there have been a number of successful ventures—corn production in Thailand, for example. When this program started, Thailand was producing about 150,000 tons annually—barely enough for home consumption. By 1972, production reached 2.5 million tons, and about 2 million tons are now available for export.

Under a contractual agreement negotiated each year, Japan now takes about 1 million tons of Thai corn annually. Japanese officials believe Thailand can increase its production by another 500,000 tons, and Japan hopes to obtain all the increase for a projected total import of about 1.5 million tons of corn annually. However, the corn market in Japan has grown far faster than exportable surpluses have grown in the developing countries. In 1973, Japan imported 8 million tons of corn, compared with only 2.5 million tons in the early 1960's.

Another notable area of success has been soybean production in Brazil. Japan's imports of soybeans from this country increased from only 30,000 tons in the early 1960's to nearly 200,000 tons in 1973. Brazil hopes to have 3 million tons of soybeans and 4 million tons of corn to export by 1976.

Some top Japanese industry officials believe Brazil has an excellent potential to increase output, and they plan to continue to invest in this development. However, it is doubtful if any large quantity of Brazilian soybeans will be imported directly into Japan because transportation costs are high and the quality of the product is too low for the Japanese market.

Brazil still needs development and quality improvement in soybeans. Another problem is that Brazil wants to export more meal and oil and fewer whole beans in the future. Brazil's future exportable surpluses of soybeans, corn, and beef will add to world supplies, and this is a definite plus for Japan.

Efforts generated chiefly by the private sector to gain greater access to new supplies in developed areas—mainly Oceania—are expected to show good results. The major goal of private investment is to gain greater control of production, either by direct ownership,

joint ventures, or by providing equity capital so that most of the increased output is shipped to Japan. This type of investment also gives greater control over such factors as quality, storage, and delivery.

While it is clear that Japan's efforts to develop alternative sources will show some definite gains, most officials believe such gains will be only incremental and that Japan will continue to look to the large commercial suppliers—the United States, Canada, Australia, and South Africa—for the bulk of its growing agricultural import needs.

BECAUSE JAPAN is so highly dependent upon imported raw materials for manufacturing as well as for sustaining human life, this economic giant is more vulnerable to the decisions of foreign suppliers than are most other advanced countries.

Japan's economic future growth rests primarily on its ability to gain wide access to world markets, both as to exports and imports. As a result of the recent experience with short world supplies, the Japanese are expected to push vigorously for more worldwide agreements to assure adequate supplies of basic raw materials and food.

The Japanese long have been advocating freer trade and better market access while themselves following restrictive import practices. The Japanese have assured other nations that they will pursue a positive and forward-looking external trade policy in the future.

The main objective of Japanese traders is to obtain steady supplies without the wild fluctuations in volume and price experienced in 1973. The Japanese hope to accomplish this goal through participation in multilateral trade negotiations and by improved cooperation between trading countries.

Even though Japan has long pursued a policy of strict control over agricultural imports to protect domestic farmers, imports have increased steadily, and now account for about 10 percent of all agricultural products in world trade.

Japan must import 95 percent of its soybeans and feedgrains, all of its cotton, and about 10 percent of its livestock products. The total value of Japanese agricultural imports from all sources in 1973 was $8.6 billion.

In November 1972 Japan announced some sweeping changes in its tariff structure to help restore greater equilibrium in its balance-of-trade surplus. There was a 20 percent across-the-board cut, but some important exceptions—mainly in the agricultural sector—were made. On April 1, 1973, the Japanese made additional tariff reductions on a number of agricultural commodities.

While this in total amounted to considerable liberalization, Japan still maintains import quotas on 22 agricultural categories, compared with an earlier high of 60 categories.

In addition to quotas and tariffs, the Japanese also maintain some troublesome nontariff barriers and use state trading of wheat, tobacco, barley, rice, salt, and butter to restrict the flow of imported goods. Strong protection still is provided most consumer goods to protect domestic processors.

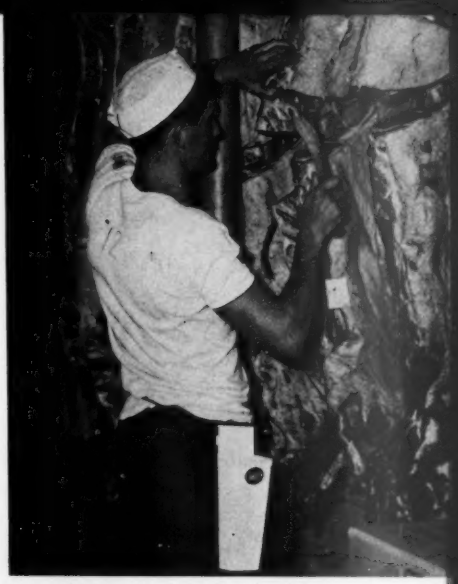
There is little doubt that the recent tariff cuts have helped to boost U.S. agricultural sales to Japan. Aided by higher prices and the removal of quotas, U.S. sales in 1973 amounted to more than $3 billion—about double the rate for the 2 previous years. This level of sales was equal to about one-third of the total Japanese agricultural import market, and accounted for 17 percent of all U.S. agricultural sales overseas on a value basis.

THE UNITED STATES in 1973 supplied Japan 86 percent of its import requirements for soybeans, 73 percent of feedgrain needs, and 57 percent of wheat. Sales to Japan in 1974 are expected to exceed the record level set in 1973.

Japan's official view is that the current multilateral trade negotiations are of utmost importance—not only to the future development of its own economy but also to the economy of all nations as well. To this end, Japan is proposing a series of measures designed to liberalize world trade.

Japanese officials admit that agriculture could be the most troublesome area during the multilateral trade negotiations. Strong national pressures are likely to be applied to protect domestic farmers and to keep the present level of self-sufficiency from sliding further. However, high domestic food prices and strong demand will likely force some further relaxation of Government restrictions on food imports.

Negotiations on monetary reform also are needed if multilateral trade negotiations are to be effective, many Japanese believe. It is generally recognized in Japan that the yen was undervalued prior to the Smithsonian Agreement and that some realinements were needed. However, the floating yen has caused some distress among traders and also has been a factor in running down the country's reserve position. Depreciation of the dollar against the yen at the deepest point was about 28 percent, but there has been some recovery of the dollar since then.



Australian meatcutter trims beef carcasses for export trade. Japan's demand for beef is increasing.

The Japanese favor a return to some form of fixed exchange rates. They would prefer a controlled fluctuation under the guidance of the International Monetary Fund.

The Japanese trade was beset with an unusually high number of contracting and delivery problems this past season. The import trade was faced with export embargoes, contract cancellations, requests for new price negotiations under existing contracts, and Government-imposed minimum export prices to circumvent earlier agreed-on prices. The Japanese still are expressing concern to many of the major supplying countries over the possibility of export controls.

This experience has prompted Japanese Government officials and importers to explore the possibility of expanding the use of long-term supply contracts with exporting countries to gain greater market stability and to enable improved planning in both importing and exporting countries.

The Japanese are looking for government-to-government guaranteed con-

tracts that would not be voided by the imposition of export controls. If an absolute guarantee is not possible, as a minimum the Japanese would likely insist on prior negotiations before any exports stop, and that preferential treatment be given long-term supply contracts in times of short supplies.

Long-term supply contracts have been used successfully by the Japanese Government in the past, notably with Canada and Australia for purchase of wheat. Japanese firms seem to have mixed thoughts on these contracts. They believe that any guarantees should be handled by the Government.

SOME FIRMS have used long-term supply contracts successfully on their own for some time. For example, Japanese importers have signed long-term supply contracts with the Canadian Hog Producers Board for delivery of specified quantities of pork over a 3-year period. Other firms have utilized long-term supply contracts for cotton purchases. Many firms are looking to long-term supply contracts as a means of stabilizing foreign supplies, especially where such arrangements would be mutually beneficial.

But there are problems to be overcome before long-term supply contracts can be used extensively. For one thing, the Government budget is set up on an annual basis, and there is no provision for honoring commitments more than a year in advance.

The only commodities approved for direct Government contracting at present are wheat, rice, and barley. Some officials are of the opinion that feed firms probably could use long-term supply contracts, under Government agreement, at the present time.

In the near term, no strong deviation from past buying practices is anticipated by the Japanese trade. However, buyers are likely to sharpen their contract terms in the future in order to gain more assurance of performance. In addition to more contracting, importers are likely to seek more storage agreements with exporters.

Actually, long-term supply contracts could be nearly as effective as expanded storage capacity at home. A closer working relationship will likely develop between the Japanese Government and the trading companies—especially for purchase of certain essential commodities. These programs, however, probably will be used more for leveling out short-term fluctuations in world supplies than for any major change in normal purchasing policies.

As a result of their concern over the availability of food supplies, the Japanese are examining international commodity arrangements and multinational food reserve policies to see what can be done to provide greater food security. Past experience with these programs has not been especially good, but Ministry of Agriculture and Forestry officials now believe some form of multinational commodity reserves may help level out the hazards of free markets.

Japan's position is that the major exporters, as reliable suppliers, should maintain the necessary reserves to meet foreign commercial demand. Japan's contribution to the scheme would be to expand its own storage capacity. Also, the Japanese would like to see an improved worldwide information system on the food situation, and more international cooperation for the expansion of agricultural production in developing countries.

The United States has some serious reservations concerning the formation of strict international commodity arrangements that would include specific reserves. It is believed that this would have the same stagnating effect on commercial trade and production incentives as did the huge stocks the U.S. Government held in the past. The U.S. position is that each nation should determine its own best means of maintaining adequate commercial stocks. Multilateral negotiations to prevent world hunger and starvation is another matter.

Although there appear to be some basic differences on food reserve policies, both the United States and Japan agree that more information on the world food supply and demand situation should be developed and shared, and that sufficient commercial stocks should be maintained in order to plan ahead and meet the world's growing demand for food.

Although Japan has liberalized most of its controls over foreign investment, there remain certain sensitive areas that are subject to close screening and internal restrictions. Food and agriculture are two such areas in which foreign investment is viewed as having possible detrimental effects on Japanese interests.

MANY OF THE RESTRICTED areas are scheduled for greater liberalization within the next few years, but Japan may elect to step up the schedule—particularly if world food supplies remain tight. Increased foreign investment in the food sector could bring with it expanded storage facilities and a more uniform flow of raw materials from the foreign firms representing the major supplying countries.

Liberalization of restrictions could stimulate foreign investment in such industries as feed manufacturing, soybean crushing, edible oil processing, and general food retailing. The United States has asked for and is encouraging this type of liberalization.

Japan's claim to be a large and steady market and its expectation that exporting countries act as reliable suppliers must be measured against the charge raised by the large exporting countries that market access is the major problem in getting steady supplies into Japan.

To be consistent with it new trade policy, Japan's agricultural import constraints probably will be reduced in the future, but only at a rate that is compatible with domestic agricultural policies. It seems clear that countries with the capacity to supply Japan reliably with quality agricultural products will find a large and growing market.

Mr. Dirks analyzed Japan's food policies in *Foreign Agriculture*, September 2, 1974. Both these articles are drawn from the author's study while a member of the U.S. State Department's Senior Seminar in Foreign Policy.

World Tobacco Crunch

Continued from page 3

vorful cigarettes, which require quality tobaccos such as those produced in the United States. U.S. exports should remain near recent levels if adequate supplies through increased production are made available. The competitive position of U.S. tobacco exports has also been enhanced by dollar devaluation.

In the longer period, as production rises and quality improves in foreign exporting countries, U.S. trade will be more directly affected. Rising competition from foreign-grown supplies, especially the lower quality filler-type tobacco, may make it increasingly difficult to maintain U.S. exports at current levels.

The outlook in world markets is for continued growth of cigarette consumption of about 4 to 6 percent annually in the near future. Demand—especially for quality cigarette leaf—is slated to climb, but at an overall lesser pace as manufacturing technology improves the utilization of raw leaf per unit or product output.

ALTHOUGH the proportion of total production entering world trade may not change appreciably, further changes in the types of tobacco traded and the probable sources of supply are indicated. High-quality tobaccos, which are in increasing demand, have so far been available almost exclusively from the United States. The extent to which this demand can be reduced or substituted for by cheaper supplies of lower quality leaf from other countries remains to be seen.

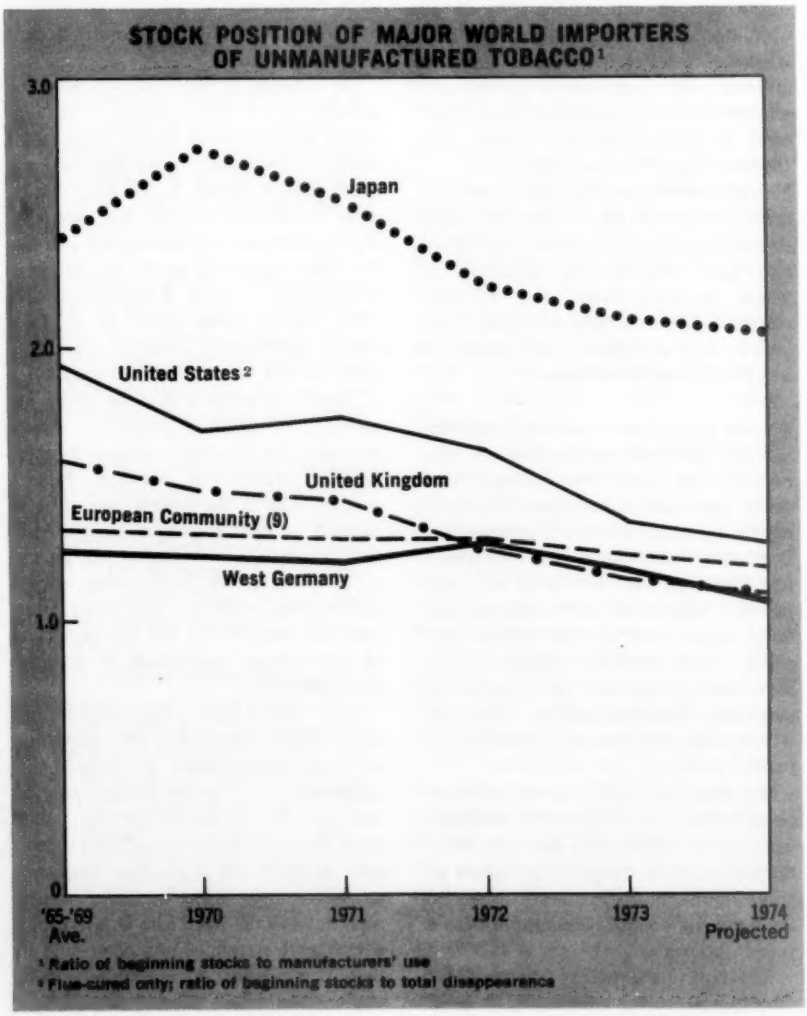
Some shifts in source may also result from restrictive EC policies and resulting changes in preferential treatment. Despite incentives for developing countries and preference areas, however, production will take some time to expand sufficiently to greatly influence world trade. And clearly, producing countries must pay increasing attention to improving quality.

Tobacco substitutes and nontobacco materials have received renewed interest in recent months, and consumer tests are being made in some markets. These materials would tend to replace the lower quality filler leaf, rather than the high-quality leaf that imparts cigarette flavor and aroma. Such developments will no doubt affect tobacco demand and world trade over the long run.

PRICES RECEIVED BY GROWERS FOR FLUE-CURED AND BURLEY TOBACCO IN SELECTED EXPORTING COUNTRIES
[In U.S. cents per pound]

Exporting country	Crop years				
	1970	1971	1972	1973	1974 Est.
Flue-cured:					
United States	72.0	77.2	85.3	88.1	95.0
Canada	64.5	64.7	78.2	82.0	88.0
Brazil	18.0	18.5	19.0	25.0	31.0
Thailand	33.2	32.8	33.0	33.1	(1)
Malawi	45.6	50.0	49.1	71.2	83.1
Japan	75.0	79.0	102.0	109.0	(1)
India	29.0	24.0	18.0	33.0	(1)
Zambia	62.6	69.1	74.9	86.0	74.0
Burley:					
United States	72.2	80.9	79.2	92.8	97.0
South Korea	26.7	32.3	42.6	44.9	(1)
Mexico	31.2	31.2	31.2	35.8	35.8
Zambia	56.1	56.2	57.3	61.8	60.0
Malawi	34.4	29.0	30.4	43.6	68.7

[1] Not available.



CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Sept. 3	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	5.85	−3	5.86
USSR SKS-14	(1)	(1)	(1)
Australian FAQ[2]	(1)	(1)	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	5.50	−17	5.74
15 percent	(1)	(1)	(1)
U.S. No. 2 Hard Winter:			
13.5 percent	5.36	−8	(1)
No. 3 Hard Amber Durum	7.59	−18	8.68
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	3.96	−2	3.12
Argentine Plate corn	4.22	0	3.51
U.S. No. 2 sorghum	3.61	−20	3.05
Argentine-Granifero sorghum	3.69	−15	3.03
U.S. No. 3 Feed barley	3.35	+8	2.83
Soybeans:			
U.S. No. 2 Yellow	8.36	+29	7.94
EC import levies:			
Wheat[3] [4]	0	0	0
Corn[3] [4]	0	0	.29
Sorghum[3] [4]	0	0	.33

[1] Not quoted. [2] Basis c.i.f. Tilbury, England.
NOTE: Price basis 30- to 60-day delivery.

Hungary Reports Record Wheat Harvest

Latest reports from Hungary indicate the 1974 wheat harvest will be a record, exceeding last year's 4.5 million metric tons. Over 3 million tons of wheat already have been purchased by the State from the farms, but a shortage of adequate storage facilities appears to be a problem.

Argentina Short On Grain Storage

With food harvests of wheat, corn, and sorghum, Argentina is anticipating substantial losses because of inadequate storage facilities. Delays in contracting wheat for export and shipment postponements resulted in 3.75 million tons of wheat stocks in storage facilities by June 1.

Argentina has about 10 million tons of storage capacity, so the buildup of wheat supplies has left an insufficient amount of space to store the 1973-74 corn crop, estimated at 10 million tons, and the 5.5-million-ton sorghum crop, not counting the large oilseed harvests now in storage.

TOBACCO

Japan Cigarette Imports Increase

Japanese demand for foreign cigarettes raised manufactured tobacco imports 61.5 percent during Japan's 1973 fiscal year. Cigarette imports, the main item, reached 2.6 billion pieces, still less than 1 percent of total domestic consumption. Four of the five leading brands imported were U.S. brands.

The Japanese Tobacco Corporation (JTC) believes the increase is due to increased use of the cigarettes as gifts, patronage by Japanese tourists returning from abroad, and increased acceptance among younger smokers. The JTC also reports the number of retailers handling foreign cigarettes reached 11,700 in 1973, compared with 7,800 in 1972.

EC To Extend Flue-cured Quota

The European Community Commission recently proposed that the Council extend through 1975 the temporary 22,000-metric-ton preferential tariff quota established last year for flue-cured tobacco from countries eligible for the EC generalized system of preference (GSP). The additional limitation in last year's quota—a 30 million unit of account ceiling on imports—would be dropped from the 1975 arrangement. Tobacco entering within the quota receives a 50-percent duty preference.

The quota is intended primarily to benefit developing Asian countries not eligible for EC associate status. However, all flue-cured producing countries on the EC's list of GSP beneficiaries are eligible to supply tobacco under the quota.

OILSEEDS AND PRODUCTS

Canada Exports Less Rapeseed and Flaxseed

Canada's exports of rapeseed and flaxseed in the crop year ending July 31, 1974, declined sharply from 1972-73 exports, according to preliminary shipping data released by the Grain Commission.

Rapeseed exports in 1973-74, at 39.1 million bushels, declined 28 percent or 15 million bushels from last year's official export total of 54.1 million bushels. Most of the decline was in exports to West European countries, coupled with smaller shipments to Japan.

Preliminary flaxseed exports, at 15.2 million bushels in

1973-74, were down 23 percent or 4.4 million bushels from 19.6 million in 1972-73. Although exports to Japan, Poland, and the United States increased slightly, the gain did not offset the decline in exports to West European countries.

Argentina's Oilseed Area, Production Estimated

Official estimates of Argentina's oilseed crops indicate an increase in 1974-75 flaxseed acreage, a bumper crop of soybeans, slightly less sunflowerseed, and a sharp decline in peanut production in 1974.

The first official estimate of the 1974-1975 area sown to flaxseed, at 1.09 million acres, was nearly 5 percent higher than the 1.04 million sown in 1973-1974.

The second estimate of soybean production placed it at a record 496,000 metric tons, an increase of 82 percent from the 272,000 tons produced in 1973.

The third official estimate of sunflowerseed and peanut production in 1974 indicated less output for both crops. Sunflowerseed, at 970,000 tons, declined only slightly from 1973's 974,000 tons, while peanut production dropped to 290,000 tons from 440,000 tons in the previous year.

SUGAR AND TROPICAL PRODUCTS

Australia Expects Record Sugar Crop

Australia's 1974-75 sugarcane crop is expected to reach a record level of more than 21 million metric tons. Production of sugar for the year is likely to total at least 3 million metric tons, raw value. Cane left standing last season because of wet weather has boosted supplies. The 1973-74 production of sugar amounted to 2.6 million tons, while the previous record was 2.9 million metric tons in 1972-73.

DAIRY AND POULTRY

Saudi Arabia Endorses Milk Production Subsidy

The Saudi Arabian Council of Ministers has endorsed a subsidy program to encourage milk production. The primary subsidy consists of a cash grant to cover the cost of transporting imported dairy cattle from the country of origin. The agricultural bank will then provide loans to finance the purchase of milking machines and other ancillary equipment. The Minister of Agriculture has set 200 head as the minimum feasible requirement for a commercial dairy farm.

Canada Sets Turkey Marketing Levies

The National Farm Products Marketing Council recently gave approval to the Provincial marketing boards of the Canadian Turkey Marketing Agency (CTMA) to impose a levy on Canadian producers marketing live turkeys in Canada. The Provincial boards will collect levies on behalf of the national agency of one-twentieth of a cent per pound on the live weight of turkey marketed by a producer. The levies have been established to return to the CTMA an amount sufficient to cover administrative costs and turkey marketing expenses.

The CTMA was established December 31, 1973, to control production and marketing of turkeys in Canada. However, registered turkey marketings (all weights) were up 22 percent through June 29, 1974, from the level for same period a year ago. Stocks of frozen turkey, at 38.8 million pounds on June 1, 1974, were more than double last year's level. Although the announced levy is small, the CTMA could have an experience similar to that of the Canadian Egg Marketing Agency, when egg producers initially paid 1 cent per dozen eggs produced but the cost of the surplus removal program of the agency forced the producer levy up in stages to the current 7 cents per dozen.

Iraq Plans To Expand Poultry, Egg Industry

The Government of Iraq is planning a massive increase in poultry and egg production over the next 5 years to upgrade the diet of the Iraq people. Total cost of the program is expected to exceed $800 million and should increase annual broiler production from the current level of 4.7 million birds to 98.6 million birds by 1980.

In addition, the Government has as its goal the increase of table egg production from the present 126 million to 3.2 billion eggs per year.

EC To Fund Storage For Hard Cheese

The European Community has proposed paying private storage charges to creameries and traders for Gruyere and Emmentaler cheese. This is the first time FEOGA will fund the storage cost for any cheeses except for the Italian type covered by intervention.

The standard premium to be paid on Gruyere and Emmentaler is $1.40 per metric ton per day for a maximum of 180 days. The storage premiums will be offered August 1-October 15, 1974, with the added provision that the cheese cannot be marketed in less than 90 days. Thus, cheese placed on this program can be marketed between November 1, 1974 and March 31, 1975, depending on the date the premium on the cheese becomes effective.

Currently there are about 22,000 metric tons of Emmentaler and Gruyere cheese in storage, mainly in France and Germany, and the cost of this storage program is estimated at about $2.5 million. It was stated that if this payment program should not be accepted, more manufacturing milk would be diverted to butter and nonfat dry milk production because these products are fully covered by intervention prices.

FRUIT, NUTS, AND VEGETABLES

EC Sets Apple, Pear Reference Prices

The European Community Commission has established reference prices for fresh apples and pears imported into the Community during the 1974-75 marketing year. Reference prices—often referred to as minimum entry prices—are established annually by the EC Commission for a wide array of fresh fruits and vegetables. The reference price system was

designed for the protection of EC horticultural producers, particularly Italy, against low-priced imports from third countries.

The 1974-75 reference prices for fresh apples and pears are generally 5-8 percent above those applicable in 1973-74. The composition of the varietal groups for apples is, for the most part, unchanged from that of 1973-74. Varietal Group I includes Delicious, Winesap, McIntosh, and other varieties of apples produced in the United States.

REFERENCE PRICES FOR APPLES AND PEARS, 1974-75 AND 1973-74 IN PARENTHESES [1]
[Units of account per 100 kg]

Month	Varietal group I		Varietal group II		Varietal group III	
Apples:						
July 1974	17.1	(15.9)	—	—	—	—
August	15.4	(13.5)	—	—	—	—
September	15.6	(14.5)	14.4	(13.4)	9.0	(8.3)
October	15.7	(14.6)	13.3	(12.3)	9.4	(8.7)
November	16.4	(15.2)	12.5	(12.3)	9.5	(8.8)
December	16.9	(15.9)	12.7	(12.5)	9.7	(9.0)
January 1974	18.0	(17.1)	13.0	(12.8)	10.0	(9.3)
February	18.7	(18.5)	14.1	(13.9)	10.9	(10.1)
March	20.6	(19.3)	14.8	(14.6)	11.1	(10.3)
April	21.1	(20.2)	16.3	(16.1)	11.4	(10.6)
May	21.3	(20.9)	16.3	(16.1)	11.9	(11.0)
Pears:						
July 1974					16.9	(16.7)
August					14.1	(13.4)
September					14.0	(13.3)
October					15.1	(14.3)
November					16.2	(15.4)
December					17.4	(16.5)
January 1975					18.1	(17.1)
February-April					18.1	(17.2)

[1] Official parity between the EC's unit of account (u.a.) and U.S. dollar is u.a.=US$1.20635. This, however, merely represents an overall approximation. A more precise measurement would necessitate adjustments to reflect the relationship of the respective currency of each EC Member State to the unit of account and to the current value of the U.S. dollar.

South Korean Mushroom Exports Decline

Due to increased production costs, South Korea's 1974 mushroom crop is anticipated to decline by 30 percent, to total 46.3 million pounds. The smaller raw mushroom crop has dimmed South Korean prospects of reaching this year's export goal of $23 million.

During the first half of 1974 South Korean exports of canned mushrooms into the two primary markets, the United States and West Germany, declined sharply.

High European Community import tariffs and rising mushroom production in the EC have lead to the drop in exports to West Germany. Shipments to that country came to $2,691,000 or 41 percent of the value registered during the same period of 1973. Canned mushroom exports to the U.S. amounted to $2,097,000, representing 27 percent of the figure posted during the same period of 1973.

French Farmers Boycott Spanish Fruits, Vegetables

Low peach prices in France that forced the French Government to ban temporarily imports of Spanish peaches also have provoked intense hostilities among French producers. Farmers in areas bordering Spain have boycotted Spanish shipments of fruits and vegetables irrespective of final destination. Hundreds of trucks were delayed and the drivers attacked by angry French farmers. In at least two major cities in southern France freshly delivered Spanish produce was destroyed at terminal markets.

The Spanish Government has protested to the European Community Commission over the temporary ban on Spanish peaches, but no protest has been lodged yet on the attacks on Spanish trucks and produce shipments.

GENERAL

Credits of $92.6 Million To India, Madagascar

The International Development Association (IDA), an affiliate of the World Bank, has approved credits totaling $92.6 million to assist development projects in India and Madagascar.

In India, a credit of $83 million will assist the Rajasthan Canal Command Area Development project in the development of 494,200 acres in the area of the Rajasthan Irrigation Canal. The project—estimated to cost $174 million—will provide all the necessary physical work and agricultural supporting services to enable full realization of the existing irrigation project. It includes land development, lining of irrigation canals, afforestation, and the construction of feeder roads and water supply systems in the 100 villages to be assisted. The project also includes strengthening of agricultural research and extension work. It is anticipated that the cropping intensity in the project area will rise from 90 percent to 130 percent at full development.

The credit to Madagascar—$9.6 million—is for a village livestock and rural development project. It will provide a broadly-based program to assist traditional livestock and rural development in the Majunga Province and the Tananarive Province. The project will primarily benefit villagers living close to subsistence level, and at full development in 1986 will produce an additional 70,000 head of cattle annually.

CCC Terms Revised, Commodities Added

On August 8, 1974, the following changes in Commodity Credit Corporation (CCC) credit terms were announced: Interest rates increased 9.5 to 10 percent for U.S. bank obligations and from 10.5 to 11 percent for foreign bank obligations (these rates will apply to all financing periods); export financing of 6-12 months suspended on March 9, 1973, reinstated on a selected basis. Frozen and canned poultry; dried, frozen, and canned eggs, and beef and dairy breeding cattle were added to the list of commodities eligible for CCC credit export financing as a result of the change.

Other Foreign Agriculture Publications

- 1973 World Corn Production Was Record Crop (FG 19-74)
- Rates of Change in World Grain Production and Consumption (FG 21-74)

Single copies may be obtained free from the Foreign Agricultural Service, USDA, Washington, D.C. 20250, Rm. 5918 S.; Tel.: 202 447-7937.

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Dutch Seek Export Markets For Dairy Output

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ports to the USSR and the United States also helped push up foreign butter sales.

Imports of dairy products by the Netherlands in 1973 were, as usual, insignificant, but about $215 million worth of fresh and nonfat dry milk was imported to supplement domestic supplies in the manufacture of dairy products. The larger imports of nonfat dry milk were necessary for special calf milk feed. Imports of other dairy products were insignificant.

Consumption of farm fluid milk declined in 1973, but consumption of manufactured fluid milk and products increased slightly in 1973 for the first time in many years. A further decline occurred in consumption of so-called special consumer products—mainly dietetic food items for which alternative products are now available.

Butter consumption continued its declining trend in 1973, as no low-priced supplies were available from EC intervention stocks. Cheese consumption continued its upward trend of the past 3 years—a trend that appears likely to level off in the next few years.

The diversion of higher milk supplies into dairy products in 1973 made for a well-balanced increase in production of Dutch commercial dairy products. These products took more than 95 percent of the increased milk supply. The remainder was processed into butter and nonfat dry milk, both of which were eligible for EC intervention prices.

Good export markets for butter were found in 1973 in both the United Kingdom and the USSR, and the United States was a strong market for both butter and nonfat dry milk. The main reasons for this development were the strong world demand for dairy products and the lower output of some traditionally large suppliers such as Australia and New Zealand, where poor weather hurt production.

As a result, the Dutch dairy industry was able in 1973 both to increase its exports and to lower its carryover stocks. These low stocks provide a favorable start for the 1974-75 season.

Australia's Canned Fruit Output Down

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substantially in the near future owing to a shortage of young trees available from nurseries.

Because of these conditions, longer term prospects for the Australian deciduous fruit industry are not particularly favorable. Not only will canned peach production remain depressed until new plantings reach the bearing stage and fruit output recovers, but stiffening competition from other exporters with more favorable exchange rates and lower freight costs will become a factor in the future, as it had been in the past.

British entry into the EC means that Australia faces a progressive increase in duties to 25 percent by 1978, compared with duty-free entry of the past. Consequent higher prices are expected to cause a decline in British canned fruit consumption, while at the same time protective measures in the European Community may prompt increased European production.

One still-promising outlet is Japan, whose greatly increased purchases last year exhibited the country's potential as an export market. In fact, since demand from the United Kingdom seems certain to decline in the years ahead, the Australian industry will out of necessity become more dependent on Japan and other new markets—possibly in Asia and South America. Already this trend is in process, with sales to the United Kingdom off to little more than half total shipments, contrasted with over 90 percent in the early 1960's.

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